

**ADP RFP 10-07
ADDENDUM #1**

DATE: August 27, 2010

SUBJECT: ADDENDUM #1 to ADP RFP 10-07

Change #1

Section 1.7, subsection U, # 2, in "SCOPE OF THE RFP" of ADP RFP 10-07 is updated to replace subsection U, #2 with the following:

1.8 SCOPE OF THE RFP

- U. Federal Funds (Applies to contracts funded in whole or part by federal funds)

2. Audit Requirements

This Audit Requirements provision does not limit the right of the Department or the State to conduct a separate audit at its discretion, nor does it relieve the contractor from complying with the audit requirements of the General Terms and Conditions (GTC 610), that may be viewed at Internet site:

www.ols.dgs.ca.gov/standard+language,.

The Contractor agrees to obtain one of the following audits, in accordance with the contractual or statutory requirements governing the amount or source of the funding:

- a. If the Contractor expends \$500,000.00 or more in funds received from ADP from the total of all contracts or grants in its fiscal year, the Contractor agrees to obtain for that year a limited scope fiscal audit of all funds received from the Department. The audit will be conducted according to Generally Accepted Governmental Auditing Standards. The audit shall be completed by the 15th day of the 5th month after the close of the Contractor's fiscal year. This audit does not fulfill audit requirements of Paragraph 2, below.
- b. If the Contractor's expends \$500,000.00 or more in federal funds, Contractor agrees to obtain an audit in accordance with this paragraph. If the Contractor's expenditure of funds are normally included in its organization's annual compliance audit conducted according to the requirements specified in Office of Management and Budget (OMB) Circular A-133, entitled Audits of States, Local

Governments, and Non-Profit Organizations, the Contractor agrees to continue to include funds expended as a result of this federally-funded contract in that audit. This audit shall be completed by the end of the 9th month following the end of the audit period. The requirements of this provision apply if:

- i. The Contractor is a recipient expending federal awards received directly from any federal awarding agencies, or
- ii. The Contractor is a sub recipient expending federal awards received from a pass-through entity such as the State, County, or community-based organization.

This audit fulfills the requirements of Paragraph (a).

- c. The cost of the required audit may be charged either as a direct cost or an indirect cost. The way the cost is charged must be consistent with the Contractor's policies, regulations, and procedures that apply to both federal funds and other activities of the Contractor. A cost may not be direct cost if another cost incurred for the same purpose, in similar circumstances is allocated as an indirect cost. Likewise, a cost may not be assigned as an indirect cost if another cost incurred for the same purpose, in similar circumstances is allocated as a direct cost.

If the audit is charged directly, the budget for each year must clearly identify funds set-aside for the audit. If the audit is charged as an indirect cost, the justification for the indirect cost line-item must clearly indicate that the audit is included in the approved indirect cost rate.

- d. Two copies of the final audit report shall be delivered to the ADP Contract Representative within 30 days after the completion of the audit. The ADP Contract Representative will forward a copy of the report to the ADP's Audit Services Branch.
- e. If the contract period for any ADP federally funded contract will expire before the audit deadlines specified in Paragraphs (a) or (b), then that contract, for that year, may be excluded from an audit if the total expenditures under the expiring contract do not exceed the \$500,000 threshold for that fiscal year. However, funds expended under that contract in that year shall be used to determine the expenditure threshold for audits of other contracts. If the expenditures under the expiring contract do exceed the \$500,000 dollar threshold an audit will still be required as specified in Paragraphs (a) or (b).

Change #2

Section 8, subsection U, paragraph B, of "SCOPE OF WORK AND DELIVERABLES" in the Sample Contract of ADP RFP 10-07 is updated to replace subsection U, paragraph B with the following:

8. SCOPE OF WORK AND DELIVERABLES

- U. Federal Funds (Applies to contracts funded in whole or part by federal funds)

B. Audit Requirements

This Audit Requirements provision does not limit the right of the Department or the State to conduct a separate audit at its discretion, nor does it relieve the contractor from complying with the audit requirements of the General Terms and Conditions (GTC 610), that may be viewed at Internet site:
www.ols.dgs.ca.gov/standard+language.

The Contractor agrees to obtain one of the following audits, in accordance with the contractual or statutory requirements governing the amount or source of the funding:

1. If the Contractor expends \$500,000.00 or more in funds received from ADP from the total of all contracts or grants in its fiscal year, the Contractor agrees to obtain for that year a limited scope fiscal audit of all funds received from the Department. The audit will be conducted according to Generally Accepted Governmental Auditing Standards. The audit shall be completed by the 15th day of the 5th month after the close of the Contractor's fiscal year. This audit does not fulfill audit requirements of Paragraph 2, below.
2. If the Contractor's expends \$500,000.00 or more in federal funds, Contractor agrees to obtain an audit in accordance with this paragraph. If the Contractor's expenditure of funds are normally included in its organization's annual compliance audit conducted according to the requirements specified in Office of Management and Budget (OMB) Circular A-133, entitled Audits of States, Local Governments, and Non-Profit Organizations, the Contractor agrees to continue to include funds expended as a result of this federally-funded contract in that audit. This audit shall be completed by the end of the 9th month following the end of the audit period. The requirements of this provision apply if:
 - i. The Contractor is a recipient expending federal awards received directly from any federal awarding agencies, or

- ii. The Contractor is a sub recipient expending federal awards received from a pass-through entity such as the State, County, or community-based organization.

This audit fulfills the requirements of Paragraph (1).

- 3. The cost of the required audit may be charged either as a direct cost or an indirect cost. The way the cost is charged must be consistent with the Contractor's policies, regulations, and procedures that apply to both federal funds and other activities of the Contractor. A cost may not be direct cost if another cost incurred for the same purpose, in similar circumstances is allocated as an indirect cost. Likewise, a cost may not be assigned as an indirect cost if another cost incurred for the same purpose, in similar circumstances is allocated as a direct cost.

If the audit is charged directly, the budget for each year must clearly identify funds set-aside for the audit. If the audit is charged as an indirect cost, the justification for the indirect cost line-item must clearly indicate that the audit is included in the approved indirect cost rate.

- 4. Two copies of the final audit report shall be delivered to the ADP Contract Representative within 30 days after the completion of the audit. The ADP Contract Representative will forward a copy of the report to the ADP's Audit Services Branch.
- 5. If the contract period for any ADP federally funded contract will expire before the audit deadlines specified in Paragraphs (1) or (2), then that contract, for that year, may be excluded from an audit if the total expenditures under the expiring contract do not exceed the \$500,000 threshold for that fiscal year. However, funds expended under that contract in that year shall be used to determine the expenditure threshold for audits of other contracts. If the expenditures under the expiring contract do exceed the \$500,000 dollar threshold an audit will still be required as specified in Paragraphs (1) or (2).